FY 2014 CRA "B" Workpapers
Public Version

Revisions of 12/14/31 described in section in BOLD at the end of this Preface.

I. PREFACE

A. Purpose and Content

USPS-FY14-32, FY 2014 CRA "B" Workpapers, input and calculate costs by cost segment which are used by USPS FY14-31, CRA Model, to produce USPS-FY14-2, Cost Segments and Components Report. The workpapers calculate attributable costs by product for 13 of the 18 cost segments, including Postmasters, Supervisors, Clerks and Mail Handlers, In-Office City Carrier Activities, City Carrier and Rural Carrier Street Costs, Purchased Transportation, etc. It contains electronic documentation of the spreadsheets and programs used to develop these costs.

B. Predecessor Documents

Docket No. ACR2013, PRCACR2013-LR1, USPS-FY13-32,

C. Corresponding Non-Public Document

USPS-FY14-NP14 is the corresponding non-public folder.

D. Methodology

For purposes of this annual report, and consistent with the Postal Accountability and Enhancement Act, the "B" Workpapers for FY14 adhere to the Postal Regulatory Commission (PRC) methods. The USPS-FY14-32, "B" Workpapers, include the following methodological changes from FY13.

Cost Segment 3

Clerk labor costs incurred from delivery scans are now assigned directly to the host product in the cost model, USPS-FY14-NP14 workbook CS03, rather than through a "D" Report adjustment. For more information, see Docket No. RM2014-6, Proposal Eight, Order 2180, September 10, 2014.

A cost methodology was developed for Customer Care Centers. Customer Care Centers primarily address questions from customers about postal products and services. Previously, these services were handled by a contractor and were included in Cost Segment 16. Recently, the Customer Care Centers were insourced and are now staffed by postal clerks. Thus, the labor costs associated with the Customer Care Centers are included in Cost Segment 3. A new cost component, Customer Care Centers - number 424, was created within Cost Component Group 3.3 to properly

attribute and assign these costs to products. For more information, see Docket No. RM2015-5, Proposal Twelve, November 7, 2014.

Cost Segment 6

Every Door Direct Mail – Retail (EDDM-R) was first reported as a product in the 2013 ACR. Identifying new products often require an adjustment period for mailers and data collectors, and it was discovered that EDDM-R pieces frequently were mismarked or misidentified. Since EDDM-R and High Density and Saturation Flats & Parcels are similar products with like city in-office cost causing characteristics, High Density and Saturation Flats & Parcels and EDDM-R in-office tallies were aggregated and assigned to each product based on respective Revenue Pieces and Weight (RPW) proportions. The same costing method was used in FY13.

City carrier in-office labor costs incurred from delivery scans are now assigned directly to the host product in the city carrier cost model, USPS-FY14-NP14 workbook CS06&7, rather than through a "D" Report adjustment. For more information, see Docket No. RM2014-6, Proposal Eight, Order 2180, September 10, 2014.

Cost Segment 7

Every Door Direct Mail – Retail (EDDM-R) was first reported as a product in the 2013 ACR. Identifying new products often require an adjustment period for mailers and data collectors, and it was discovered that EDDM-R pieces frequently were mismarked or misidentified. Since EDDM-R and High Density and Saturation Flats & Parcels are similar products with like city street cost causing characteristics, High Density and Saturation Flats & Parcels and EDDM-R city carrier volumes were aggregated by relevant cost pool and costs were assigned to each product based on respective RPW proportions. Since Detached Address Labels (DALs) are not permissible with EDDM-R, all street time DAL costs are assigned to the product High Density and Saturation Flats & Parcels. The same costing method was used in FY13.

In FY14, CCCS has started collecting information on specific products within Package Services, as well as separate information for First-Class Parcels and First-Class Package Service individually. Thus, RPW proportions are no longer used to assign collection costs to those products.

City carrier street labor costs incurred from delivery scans are now assigned directly to the host product in the city carrier cost model, USPS-FY14-NP14 workbook CS06&7, rather than through a "D" Report adjustment. For more information, see Docket No. RM2014-6, Proposal Eight, Order 2180, September 10, 2014.

Cost Segment 10

Every Door Direct Mail – Retail (EDDM-R) was first reported as a product in the 2013 ACR. Identifying new products often require an adjustment period for mailers and data collectors and it was suspected that EDDM-R pieces frequently were mismarked or misidentified. Since EDDM-R and High Density and Saturation Flats & Parcels are similar products with like rural cost causing characteristics, High Density and Saturation Flats & Parcels and EDDM-R rural carrier volumes were aggregated by relevant cost pool and costs were assigned to each product based on respective RPW proportions. Since Detached Address Labels (DALs) are not permissible with EDDM-R, all street time DAL costs are assigned to the product High Density and Saturation Flats & Parcels. The same costing method was used in FY13.

Rural carrier labor costs incurred from delivery scans are now assigned directly to the host product in the rural carrier cost model, USPS-FY14-NP14 workbook CS10, rather than through a "D" Report adjustment. For more information, see Docket No. RM2014-6, Proposal Eight, Order 2180, September 10, 2014.

Cost Segment 12

The FY14 attributable costs across functional areas (i.e. city carriers, rural carriers, vehicle service drivers, and administrative) for personnel, supplies and maintenance, and vehicle hire costs are distributed based on the established method using the new web-based system named Solution for Enterprise Asset Management (SEAM). SEAM contains the same information previously captured by the Vehicle Maintenance System (VMAS). In FY13, however, the relevant attributable costs were distributed based on FY12 VMAS data due to the unavailability of timely data from SEAM.

The established attribution and distribution of Vehicle Hire costs, cost component group 12.3, is based on the PRC methodology from Docket No. R2000-1. Vehicle Hire costs stem from rental vehicles used to supplement or temporarily replace postal owned vehicles. In R2000-1, a special survey was litigated to determine the types of vehicles being rented. Costs were assigned based on the survey results to the following six categories: 1) City Special Purpose Route Carriers; 2) City Letter Route Carriers; 3) Expedited Delivery; 4) Vehicle Service; and 5) Rural Carriers and 6) Other. The survey, however, illustrated that vehicles rented for rural routes were negligible; consequently, they were not assigned any costs. The costs were then given the attribution and distribution treatment consistent with the personnel that used the vehicles. In subsequent years, in lieu of a survey, Vehicle Hire costs were to be assigned based on the relative annual amount of labor and parts from cost component groups 12.1 and 12.2 to the same six categories.

In preparing the CS12 workpapers for the 2014 ACR, an error was discovered that kept the relative proportions of Vehicle Hire costs hard coded. This submission corrects that error and allows Vehicle Hire Costs to change each year with the change in vehicle usage

consistent with the established methodology. This correction resulted in Rural Costs for Vehicle Hire to be materially different from zero. This change is reflected with new cells in the CS12 workbook, tabs '12.3.1' and 'Output to CRA'.

Cost Segment 13

The portion of costs in general ledger account 52359, Professional and Other Miscellaneous Services, sustained from the use of credit and debit cards has been transferred from cost segment 16, component 177, *Miscellaneous Postal Supplies and Services* to cost segment 13, component 129, *Federal Reserve and Commercial Banks*. Additionally, a new attribution and assignment method was instituted for FY14. For more information, see Docket No. RM2015-4, Proposal Eleven, November 4, 2014. The new calculations have been added to USPS-FY14-NP14, workbook CS13, tab 13.3.2.

Cost Segment 14

The quarterly distribution factors used to assign FedEx Night Turn costs to products are now calculated using census data from the Surface Air Management System (SAMS), the Product Tracking System (PTS), and the Foreign Postal Settlement (FPS) system. For more information, see Docket No. RM2014-4, Proposal Two, Order 2101, June 25, 2014.

The purchased transportation cost model incorporates updated highway variabilities. For more information, see Docket No. RM2014-6, Proposal Six, Order 2180, September 10, 2014.

Cost Segment 16

The portion of costs from general ledger account 52359 incurred as the result of credit and debit card fees has been transferred to cost Segment 13, component 129, *Federal Reserve and Commercial Banks.* For more information, see Docket No. RM2015-4, Proposal Eleven, November 4, 2014.

Cost Segment 20

The FY14 attributable vehicle depreciation costs across functional areas (i.e. city carriers, rural carriers, vehicle service drivers, and administrative) are distributed based on the established method using the new web-based system named Solution for Enterprise Asset Management (SEAM). SEAM contains the same information previously captured by the Vehicle Maintenance System (VMAS). In FY13, however, the attributable vehicle depreciation costs were distributed based on FY12 VMAS data due to the unavailability of timely data from SEAM.

E. Input/Output

This attachment relies on inputs from USPS-FY14-NP7 Cost Segment 3 International Subclass Costs by Cost Pools Cost, and USPS-FY14-7, Cost Segment 3 Cost Pools & Other Related Information , USPS-FY14-37, In Office Cost System (IOCS) Documentation, USPS-FY14-34, City Carrier Cost System (CCCS) Documentation, USPS-FY14-35, Rural Carrier Cost System (RCCS) Documentation, and USPS-FY14-36, Transportation Cost System (TRACS) Documentation. Outputs from this attachment contribute to USPS-FY14-31, FY 2014 CRA Model, USPS-FY14-NP10 Incremental Cost calculations, and USPS-FY14-19 Delivery Costs by Shape.

II. ORGANIZATION

The USPS-FY14-32 "B" Workpapers are thirteen separate Microsoft Office Excel workbooks, twelve of which present cost data by separate cost segments with many worksheets in each, and the other of which, I-forms, exports data to those cost segment workbooks. Data sources are referenced in each spreadsheet.

REVISIONS OF 12/31/14

The revisions of 12/31/14 did not change the contents of any file, but removed header information inadvertently (and incorrectly) indicating in the original files that the file contents included non-public information. Thus, the only revisions were to remove inapplicable headers.